



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

TELECOMMUNICATIONS

IN THE MATTER OF UNITED TELEPHONE
COMPANY OF NEW JERSEY, INC. D/B/A)
SPRINT AND LTD HOLDING COMPANY FOR)
APPROVAL PURSUANT TO N.J.S.A. 48:2-51.1)
AND N.J.S.A. 48:3-10 OF A CHANGE IN)
OWNERSHIP AND CONTROL)

ORDER

DOCKET NO. TM05080739

(SERVICE LIST ATTACHED)

BY THE BOARD:

On August 26, 2005, United Telephone Company of New Jersey, Inc. ("United NJ") and LTD Holding Company (jointly "petitioners") filed a joint petition ("Petition") seeking Board approval to transfer control of United NJ from Sprint Nextel Corporation to LTD Holding Company. The transfer is related to the plan by Sprint Nextel Corporation to separate its wireline local service operation into an independent stand alone operation. The petitioners contend that this transaction is in the public interest and it meets the criteria necessary for approval.

BACKGROUND

According to the Petition, on December 15, 2004, Sprint Corporation and Nextel Communications, Inc. ("Nextel") entered into a merger agreement whereby Nextel would merge with and into a wholly owned subsidiary of Sprint Corporation. Petitioners state that the conditions of the merger agreement have been satisfied and that the merger closed on August 12, 2005. The corporation's new name is "Sprint Nextel Corporation." Pursuant to the merger agreement, Sprint Corporation and Nextel agreed to use their reasonable best efforts to separate the Sprint's Incumbent Local Exchange Company ("ILEC") business by means of a tax-free spin-off, to the then existing stockholders of Sprint.

According to petitioners, United NJ is a direct wholly owned subsidiary of Sprint. United NJ is authorized to operate as an ILEC in New Jersey in all or parts of five counties in the Western and Northern part of the State of New Jersey.¹ They further state that United NJ's offices are situated in Clinton, Newton and Lafayette, New Jersey. Petitioners state that, as a result of the transaction proposed in the Petition, control of United NJ will be transferred from Sprint to LTD Holding Company. Moreover, the local wireline operations will become an independent entity from Sprint. In order to complete the separation, Sprint has formed a new holding company,

¹ See, *I/M/O United Telephone Company of New Jersey et al., Docket No. TM8704290 (May 27, 1987).*

LTD Holding Company ("LTD"). According to petitioners, the stock of United NJ (and the other Sprint ILECs) will be contributed into LTD, as well as other assets and liabilities related to the local wireline telecommunications business. Petitioners state that immediately after LTD gains control of United NJ, the shares of LTD will be issued to the existing shareholders of Sprint. Petitioners also represent that United NJ will remain the regulated ILEC in New Jersey, but it will have a new corporate parent, LTD.

As described by petitioners, United NJ will ultimately be a subsidiary of the new parent holding company, LTD. From an operational perspective, however, petitioners assert that little will change. They contend that United NJ will continue to operate in New Jersey and will continue to have the same technical, financial and managerial ability to provide reliable service as in existence today.

Petitioners also maintain that the separation will not alter existing relationships between United NJ and its bargaining unit employees and their representatives. Petitioners state that United NJ will continue to honor existing collective bargaining agreements, some of which are effective into 2007.² For agreements expiring before the completion of the separation, the ILEC will reportedly seek new agreements covering those bargaining units. Petitioners maintain that discussions have begun with the international representatives of the unions representing Sprint's bargaining units to provide periodic updates on the separation and to allow a forum for discussion of issues of mutual interest.

Petitioners further state that at the time of the separation, existing Sprint employees employed by LTD and United NJ are expected to have available to them a defined benefit pension plan, with terms and benefits reasonably equivalent to the Sprint plan. According to the Petition, the benefit pension plan has been and will continue to be appropriately funded to meet current and future benefit obligations. Petitioners also state that, like other companies, LTD will review its pension benefit plan from year-to-year in order to remain competitive in the market for employees.

The Petition also states that LTD will maintain and evolve comprehensive compensation and benefit programs that allow the company to recruit and retain highly qualified and motivated employees. Petitioners further predict that, while the dynamics of the labor and benefits markets may, irrespective of the separation, necessitate changes to the company's compensation and benefit plans from year-to-year as has been the case in the past, the separation will not result in compensation and benefit changes that would hamper the company's ability to remain competitive in the market for employees.

Petitioners maintain that upon completion of the separation, United NJ will continue to be financially capable of fulfilling all of the requirements of a public utility in New Jersey. They further assert that this capability will be unaffected by the change in its ultimate corporate parent. Petitioners further maintain that the separation will allow LTD to compete more effectively in three distinct ways. First, the separation of the ILEC business will reportedly eliminate any emerging tension between Sprint's anticipated national wireless strategy and LTD's local wireline strategy. Second, petitioners believe that the separation will increase the speed of decision-making and will allow for greater flexibility in creating bundles and expanding the product portfolio in specific markets to defend against competitive erosion. Third, petitioners state that operating independently will allow the company to focus on the development of products targeted to its customers in its local service area.

² The IBEW agreements in New Jersey expire April 1, 2007 (Belle Mead) and January 12, 2007 (Lafayette). The CWA contract in New Jersey expires April 1, 2006.

New Jersey statutes grant the Board the authority to approve a transfer of control of telecommunications facilities for the purpose of providing service to New Jersey customers. Specifically, the Board has jurisdiction over the proposed transaction pursuant to N.J.S.A. 48:2-51.1, which requires that the Board evaluate the impact of the proposed change of control: "on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate service at just and reasonable rates."

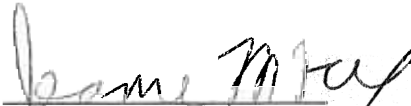
Staff has recommended that the Board initiate its review of this transaction by (1) retaining the matter for its direct review rather than sending the petition to the OAL; (2) directing Staff and the Attorney General's Office to conduct a Pre-Hearing Conference on or about October 11, 2005 to identify, among other things, the issues and parties in this matter, and (3) directing Staff to report back to the Board at the next available agenda meeting (currently scheduled for October 26, 2005) following the Pre-Hearing Conference with a proposed Pre-Hearing Order, to include a schedule for the completion of the Board's review of this matter.

FINDINGS AND CONCLUSIONS


Upon review of Staff's recommendations we find them to be reasonable and appropriate, and we **HEREBY INITIATE** our review of this matter by retaining the matter for our direct review. We further **DIRECT** Staff and Board counsel to conduct a Pre-Hearing Conference on or about October 11, 2005 for the purpose of identifying and/or establishing recommendations for, among other things, the issues and parties in this matter. We further **DIRECT** Staff to report back to this Board at the next available agenda meeting, currently scheduled for October 26, 2005, with a proposed Pre-Hearing Order to include, among other things, a schedule for the completion of the Board's review in this matter.

DATED: 10/3/05

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDRICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER


JACK ALTER
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

